Department of Public Health and Human Services FOOD STAMP PROGRAM	Section: ELIGIBILITY & BENEFIT DETERMINATION Subject: Prospective Budgeting

Supersedes: FS 601-1 (04/01/04); Bulletin FS 48 (12/01/06)

References: 7 CFR 273.10 (c)

GENERAL RULE -- Reasonable expectations and knowledge of the household's anticipated financial and non-financial circumstances are used to determine eligibility prospectively for the Food Stamp Program.

GATHERING INFORMATION

Various sources are used to collect information about the household's circumstances to determine eligibility prospectively. Some sources used to collect information are (list not inclusive):

1. The interview at application or recertification;

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2. The application, recertification, or Six Month Report form; and,

3. Information submitted by the household, collateral contacts, system interfaces, etc.

CASE NOTE DOCUMENTATION

The OPA Case Manager must document in case notes in sufficient detail so individuals reviewing the case (Hearing Officers, Management Evaluation Reviewers, Program Integrity Auditors, Claims and Recoveries Financial Investigators, Regional Quality Assurance Reviewers, Supervisors, federal audits, etc.) can determine the reasonableness and accuracy of the prospectively budgeted income determination. The case note must list the dates paid, the gross amount of income per pay period, the number of hours worked, and the prospective budgeting method used for the income calculation.

If a pay check is unusually high or unusually low, the OPA Case Manager must document the reason the check was unusually high or low by asking the household or the employer (unpaid sick days, unpaid vacation, worked extra because short staffed, etc.). The case note includes the reason the check was included in the income calculation or the reason the check was not included in the income calculation based on either the household or the employer anticipating or not anticipating it to occur again for the prospectively budgeted period.

PROSPECTIVELY BUDGETING ≥INCOME

Monthly income anticipated to be received is determined on a case by by case basis using one or a combination of methods to budget income prospectively. Verification cannot be limited to one specific type or source.

≥ When a household receives income on a recurring monthly or semi-monthly basis, the household should not have its monthly income varied because of changes in mailing cycles or pay dates or because weekends or holidays cause additional checks to be received in a month.

≥ **Example:** The household is paid semi-monthly on the 1st and 15th of the month. October 1st falls on a Saturday, and the household is paid on Friday September 30th. The income is considered income for October.

1. **Anticipating** income method is used to prospectively budget income when:

   a. a full month's income is not expected because the individual will not work a full pay period during the month (e.g., new employment, unpaid extended sick leave, or unpaid vacation);

      NOTE: If a full month's income is not expected, the income is not factored.

      Example: The application is received November 9th; new employment started November 2nd; pay dates are the 5th and 20th. Ted earns $6.50 per hour, averages 40 hours per week, is off on Fridays and Saturdays, and is paid for holidays. Income received in November is anticipated for 10 days for eight hours a day because he will only receive 1 check on the 20th: 10 days x 8 hours = 80 hrs x $6.50 = $520 is the prospectively budgeted gross monthly income.

      The 13 week method is used to determine December's income because a full month's income is expected to be received and is reflective of what is anticipated: 40 hrs x $6.50 x 13 weeks = $3,380 / 3 months = $1,126.66 is the prospectively budgeted gross monthly income.

   b. income is from a terminated source (e.g., lay-off or other job termination).

      NOTE: If a full month's income is not expected, the income is not factored.

2. The **13 week method** is based on every three month period having 13 weeks. This method is used to prospectively budget income when:

   a. paid monthly or semi-monthly (paid twice a month with set pay dates such as 5th and 20th);

   b. there is not a reliable income history to average; and,

≥ **EXCEPTION:** If there is a reliable history and the employer verifies hours averaged per week, the 13 week method **can** be used to prospectively budget the income.

   c. the income is expected to continue for at least three months.

   The calculation for this method is: average hours **per week** x hourly wage x 13 weeks = total gross income. Total gross income / 3 months = total prospectively budgeted gross monthly income.

   The 13 week method **is not** used to prospectively budget income when:

   a. there is a reliable income history; or,

≥ **EXCEPTION:** If there is a reliable history and the employer verifies hours averaged per week, the 13 week method **can** be used to prospectively budget the income.

   b. paid a salaried amount (a fixed amount per pay check independent of how many days are worked); or,

      NOTE: Income is averaged when paid a salaried amount.

      Example: An employer statement was received stating Dolores began working October 8th; paid semi-monthly on the 15th and 30th for <u>salaried</u> employment; $350 gross per pay period. November benefits are based on $350 x 2 = $700.

   c. employment is not expected to last 13 weeks; or,

   d. employer verifies anticipated hours **per pay period**.

Example: The employer form verifies Ed is paid twice a month at $7.50 an hour. The employer anticipates Ed working 65 hours per pay period in the future. The income calculation is 65 hours x $7.50 x 2 = $975.00.

3. **Factoring** method is used to prospectively budget income when:

   a. paid weekly or bi-weekly (paid every two weeks); and,

   b. there is a reliable history of income **and** the history of the income is reflective of what is anticipated in the future by household and/or employer.

   If weekly or bi-weekly pay checks are available for the month of application, the checks must be averaged and factored even if they did not receive a third or fifth check in the month of application.

   The calculation for the factoring method is: gross **weekly** income (actual or averaged) x **4.3** = total prospectively budgeted gross monthly income; or gross **bi-weekly** income (actual or averaged) x **2.15** = total prospectively budgeted gross monthly income.

   EXCEPTION: Income is not factored if an individual will not receive a full month's pay (e.g., individual will not be paid for hours normally worked such as unpaid sick leave or unpaid vacation, etc.). Anticipating income budgeting method of counting actual days is used taking days off and paid holidays into consideration.

   Example: Ginny started a new job working 40 hours per week at $6.50 per hour and is paid **weekly**. Ginny's monthly income is determined using 40 hours x $6.50 an hour = $260 per week x 4.3 = $1,118.

   Example: Grace works for the State of Montana. She works full time earning $7.00 per hour. She is paid **bi-weekly**: 40 hrs per week x $7.00/hr=$280 per week x 2 weeks= $560 per pay period x 2.15 = $1204.00 Grace's gross monthly income.

4. **Averaging** income is used to prospect income when there is a reliable income history and the history of the income is reflective of what is anticipated in the future by household and/or employer.

Income is averaged when a significant income change is expected in the future (e.g., promotion, part-time to full-time or vice versa, additional job, transfer, etc.) and a full month's pay is expected.

Example: Application received March 12th. Mickey is paid every other Friday at $6.50. He reports and verifies his hours have decreased from 40 hours per week to 30 hours per week effective March 1st. March 5th check reflects 80 hours and March 19th check will reflect 60 hours.

It is considered a full month's pay so the income is averaged and factored for March: 80 hours + 60 hours = 140/2 = 70 hours x $6.50 = $455 x 2.15 = $978.25 is the total prospectively budgeted gross monthly income for March. Income for April is prospected using 60 hours per pay period x $6.50 = $390 x 2.15 = $838.50.

Any source of income that fluctuates from month to month is averaged including wages, irregular child support, interest income paid quarterly, and quarterly bonuses.

Patterns of income fluctuations such as overtime and quarterly bonuses are considered when anticipated to continue to be received. Paychecks agreed on as unusually high or low by the OPA Case Manager, the household, and/or employer should be disregarded unless the unusually high or low paychecks are anticipated to continue into the prospective period.

≥ **NOTE:** When an individual is paid twice a month, the number of days in a pay period usually varies. Some checks may appear to be higher or lower but it could depend on the number of days in a pay period. For this reason, caution should be used when disregarding unusually high or low pay checks when someone is paid twice a month. Generally, it is best to average an even number of pay checks.

The total gross income or hours worked multiplied by rate of pay are used to average income. The averaging calculation is used when paid:

a. **monthly** - add the total gross income or hours worked for per month during the representative period and divide by the number of months in the representative period to determine

the prospectively budgeted amount of income per month.

b. **semi-monthly** - add the total gross income or hours worked for the pay dates during the representative period and divide by the number of pay dates in the representative period to determine the gross average income per pay date. The average gross income per pay date x 2 = total prospectively budgeted gross monthly income.

c. **weekly** - add the total gross income or hours worked for dates paid in the representative period and divide by the number of pay dates in the representative period to determine the gross average income per pay date. The average gross income per pay date x 4.3 (weekly) = total prospectively budgeted gross monthly income.

d. **bi-weekly** - add the total gross income or hours worked for dates paid in the representative period and divide by the number of pay dates in the representative period to determine the gross average income per pay date. The average gross income per pay date x 2.15 (bi-weekly) = total prospectively budgeted gross monthly income.

5. **Annualizing income** method is used to prospect income for contractual or self-employment.

The contract for contract income must be evaluated on a case by case basis. A key factor in determining whether income is contractual is whether the contract is for a set dollar amount even if an hourly rate is indicated.

If the household receives its annual income in a period of time shorter than a year by contract or self employment, the income is averaged over a 12 month period provided the income from the contract is not received hourly or on a piecework basis. If the contract work is not the household's annual income, the income is prorated over the period it is intended to cover.

The annualizing method calculation is: the annual or contractual amount divided by the number of months the income is intended to cover.

Example: Helen has a craft business she operates from her home. Her books show she receives some income every month after the allowable costs of doing business. She has no other source of income. She

states the income from this business is intended to support her year round.

Jan.	$ 300.00	July	$ 500.00
Feb.	$ 275.00	Aug.	$ 400.00
March	$ 350.00	Sept.	$ 350.00
April	$ 550.00	Oct.	$ 450.00
May	$ 600.00	Nov.	$ 950.00
June	$ 550.00	Dec.	$1,100.00
		Total:	$6,375.00

$6,375 divided by 12 months = $531.25 is the total prospectively budgeted gross monthly income.

ADDITIONAL EXAMPLES

Anticipating and not factoring

The application is received January 24th. Erik is paid every other week at $7.00. He reports and verifies at application he missed a large part of one pay period in January because he had the flu. He was paid in January on the 5th and 19th. The January 19th check reflects and verifies this information. The employer verifies he anticipates Erik working 32 hours per week in the future.

This is not considered a full month's pay. Income for January is anticipated and is not factored. Actual income is used for January using January 5th and 19th pay checks. Income for February is prospectively budgeted using 64 hours every two weeks x $7.00 = $448 x 2.15 = $963.20.

Averaging and factoring

Joe has worked for the same employer for two years; paid $6.50 an hour semi-monthly; hours fluctuate from week to week from at least 20 hours to no more than 35 hours per week. Joe provided pay stubs for the last two months (February and March). He states he anticipates future months will be very similar to the past two months.

Feb. 1st pay stub	49 hours	$ 318.50
Feb. 15th pay stub	42 hours	$ 273.00
March 1st pay stub	47 hours	$ 305.50
March 15th pay stub	55 hours	$ 357.50
	Totals 193 hours	$1,254.50

$1254.50 / 4 = $313.62 is the average amount per pay period. $313.62 x 2 (paid twice a month) = $627.24 is the total prospectively budgeted gross monthly income.

13 week method

If significant changes were expected in the previous example such as Joe receiving a raise to $6.75 and a change in hours, the anticipating method using the 13 week calculation is used to determine prospected income because a significant change is expected.

Joe provides an employer statement stating he will work an average of 27 hours per week and a raise to $6.75 is effective March 16th. All hours on his April first check will be paid at the new hourly rate.

27 hours x $6.75 an hour = $182.25 x 13 weeks = $2,369.25 / 3 months = $789.75 is the total prospectively budgeted gross monthly income.

Averaging

If the only expected change in the previous example was an increase in hourly wage, prospect income by multiplying the average hours by the new rate of pay.

193 hrs / 2 months = 96.5 average hours x $6.75 = $651.38 is the total prospectively budgeted gross monthly income.

Averaging and factoring

Sam has been working for the same employer for six weeks. He has fluctuating income and is paid every Friday. The OPA Case Manager and Sam agreed to use the actual gross income amounts received for the six weeks prior to the interview to determine his average weekly income.

Week 1:	$ 100
Week 2:	$ 150
Week 3:	$ 150
Week 4:	$ 200
Week 5:	$ 50
Week 6:	$ 200
Total:	$ 850

Average weekly income: $850 divided by 6 = $141.67 per week. $141.67 x 4.3 (paid weekly) = $609.18 is the total prospected gross monthly income.

NOTE: The $50.00 received the 5th week must be evaluated to determine if the trend is expected to continue into the prospected period. The check could be disregarded as an unusually low check if it is not expected to happen again in

the prospective period. A TEAMS case note must clearly document the justification for disregarding or including the check.

≥ **Working and Partial Unemployment Income**

A household size of 4 applies for food stamp benefits February 2nd. A household member, Jack, is working and receiving partial unemployment income (UI). Employer statement verifies he will be working 20 hours a week at $7.00 an hour and is paid every week. The UI is prospectively budgeting using the formula below.

A	B	C	D	E	Partial Benefit Amount
Regular Benefit Amount	Weekly Gross Earnings	Divide Column A by 4	Column B Minus Column C	Divide Column D by 2	Column A Minus Column E = This Week's Benefit Amount
$225.00	20x$7= $140.00	225 / 4 =$56.25	$140.00 - 56.25 $83.75	$83.75 / 2 = $41.87	$225.00 - 41.87 = $183.13 $ 183.13

Jack's income from his job is prospectively budgeted as follows: 20 hours x $7.00 x 4.3= $602.00. The prospectively budgeted partial UI weekly benefit is prospectively budgeted as follows: $183.13 x 2 weeks=$366.26 bi-weekly x 2.15=$787.45.

If this was an ongoing case and the OPA Case Manager received the unemployment report from the Department of Labor and Industry (DOLI) showing Jack is now receiving partial unemployment benefits, the partial UI must now be prospectively budgeted since the DOLI report is verified upon receipt. Typically, the unemployment income is averaged. The new wages are not used until recertification or the six month report period. When the wages are prospectively budgeted at recertification or the six month report period, UI is prospectively budgeted using the unemployment income formula.

COMBINATION CASE

Esther has been working for the same employer for two years. Her case is opened to FS, MA MD, and MA PC. She provides her last seven pay stubs (totaling $1,400.00) representing pay received in the last three months.

Esther is paid bi-weekly and works a consistent number of hours each pay period. She does not anticipate a change in her hours or her pay rate. Her income for FS and MA PC is prospectively budgeted by averaging

and factoring the provided check stubs: $1,400.00 / 7 = $200.00 x 2.15 = $430.00; code 'OF' and 'OA' on EAIN. Her income for MA MD is prospectively budgeted by averaging the same pay stubs and multiplying the average by the number of scheduled pay dates in the benefit month ($1,400 / 7 = $200.00 x 2 or 3 pay dates = $400.00 or $600.00); code 'OM' on EAIN.

The OPA Case Manager determines the months in the eligibility period expected to include a third bi-weekly pay date, and sets an alert for the month before each of those months to project the income for the third pay date.

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